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IN THE

Supreme Court of the United States

OCTOBER TERM, 1971

No. 71-825

ENRESCO, INC., a Colorado corporation, and YUMA MANUFACTURING COMPANY, INC., a Colorado corporation, *Petitioners*

v.

VALMONT INDUSTRIES, INC., a corporation, formerly Valley Manufacturing Company; and FRANK L. ZYBACH, and ALBERT E. TROWBRIDGE, individuals, *Respondents*

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE TENTH CIRCUIT

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PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE TENTH CIRCUIT

To the Chief Justice and the Associate Justices of the Supreme Court of the United States:

Your Petitioners, Enresco, Inc., a Colorado corporation, and Yuma Manufacturing Company, Inc., a Colorado corporation, hereinafter referred to as "Enresco", hereby petition for a Writ of Certiorari to

review the decision of the United States Court of Appeals for the Tenth Circuit. That Court of Appeals, on direct appeal, affirmed an order of the United States District Court for the District of Colorado denying Enresco relief from final judgment of patent infringement under the "newly discovered evidence" part of Rule 60(b), F.R.Civ.P., 28 U.S.C.

OPINIONS BELOW

The opinion of the Court of Appeals was filed July 8, 1971, is reported at 446 F.2d 1193, and a copy thereof is appended hereto as Appendix A.

The Memorandum Opinion and Order of the United States District Court for the District of Colorado denying relief to Enresco is unofficially reported at 167 USPQ 60, and a copy thereof is appended hereto as Appendix B.

JURISDICTION

The judgment of the Tenth Circuit Court of Appeals which Petitioners seek to have reviewed was made and entered on July 8, 1971. An order denying a timely petition for rehearing was made and entered by said Court of Appeals on September 29, 1971, and a copy of said Order is appended hereto as Appendix C.

The statutory provision believed to confer jurisdiction on this Court to review the judgment in question is Title 28, United States Code, Section 1254(1).

QUESTIONS PRESENTED FOR REVIEW

1. When newly discovered evidence is presented to invalidate the patent in suit, after final judgment of patent infringement, can a trial court effectively frustrate the paramount public interest in patent validity

and free competition in ideas not meriting patent protection by the exercise of its sole discretion in adversely determining the factual issue of due diligence required by Rule 60(b)(2), F.R.Civ.P., or does the rationale of *Lear, Inc.* v. *Adkins,* 395 U.S. 653, 89 Sup. Ct. 1902, 23 L.Ed.2d 610, and overriding federal patent policy permit or compel the court to allow the infringers to contest patent validity?

2. Are discretionary judgments of a trial court, relative to requirements for relief under Rule 60(b)(2), which are made without a full hearing and opportunity to present evidence, protectable by a Court of Appeals under the principle that a Rule 60(b) motion is addressed to the sound discretion of the trial court and granting or denial of such a motion will not be disturbed on appeal except for a manifest abuse of discretion, when this Court in *Lear,* supra, has made it abundantly clear that inquiry into patent validity for the public interest is paramount to common law doctrine?

3. Following the execution and partial performance of a post judgment settlement agreement between parties to a patent infringement suit, can the adjudged infringers assert patent invalidity under the doctrine of *Lear,* supra, to bar recovery of further installments of damages due under the settlement agreement and/or to recover installments already paid under the agreement?

4. Is the "final judgment" referred to in Rule 60(b)(2) F.R.Civ.P., from which the one-year limitation runs, the interlocutory judgment of patent validity and infringement or is it the final judgment at the termination of all trial court proceedings in which damages are assessed against the infringer?

STATUTES AND RULES INVOLVED

Federal Rules of Civil Procedure, Rule 60(b), 28 U.S.C.

"Rule 60.

RELIEF FROM JUDGMENT OR ORDER

. . . .

"(b) *Mistakes; Inadvertence; Excusable Neglect; Newly Discovered Evidence; Fraud, etc.* On motion and upon such terms as are just, the court may relieve a party or his legal representative from a final judgment, order, or proceeding for the following reasons: (1) mistake, inadvertence, surprise, or excusable neglect; (2) newly discovered evidence which by due diligence could not have been discovered in time to move for a new trial under Rule 59(b); (3) fraud (whether heretofore denominated intrinsic or extrinsic), misrepresentation, or other misconduct of an adverse party; (4) the judgment is void; (5) the judgment has been satisfied, released, or discharged, or a prior judgment upon which it is based has been reversed or otherwise vacated, or it is no longer equitable that the judgment should have prospective application; or (6) any other reason justifying relief from the operation of the judgment. The motion shall be made within a reasonable time, and for reasons (1), (2), and (3) not more than one year after the judgment, order, or proceeding was entered or taken. A motion under this subdivision (b) does not affect the finality of a judgment or suspend its operation. This rule does not limit the power of a court to entertain an independent action to relieve a party from a judgment, order, or proceeding, or to grant relief to a defendant not actually personally notified as provided in Title 28, U.S.C., § 1655, or to set aside a judgment for fraud upon the court. Writs of coram nobis, coram vobis, audita querela, and bills of review and bills in the nature of a bill

of review, are abolished, and the procedure for obtaining any relief from a judgment shall be by motion as prescribed in these rules or by an independent action."

United States Code, Title 35,

"§ 102. *Conditions for patentability; novelty and loss of right to patent.*

"A person shall be entitled to a patent unless— (a) the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent, or (b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States,"

United States Code, Title 35,

"§ 103. *Conditions for patentability; non-obvious subject matter.*

"A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made."

STATEMENT OF THE CASE

Petitioners are seeking this Court's review of the Tenth Circuit Court of Appeals' affirmation of an order of the United States District Court for the District of Colorado denying Petitioners relief from final judg-

ment of a patent infringement suit under Federal Rules of Civil Procedure, Rule 60(b).

The Petitioners, Enresco, Inc., a Colorado corporation, and Yuma Manufacturing Company, Inc., a Colorado corporation, were defendants in the trial court, appellants in the Tenth Circuit Court of Appeals, and shall be referred to herein as "Enresco".

The Respondents, Valmont Industries, Inc., a corporation, formerly Valley Manufacturing Company; and Frank L. Zybach, and Albert E. Trowbridge, individuals, were plaintiffs in the trial court, appellees in the Tenth Circuit Court of Appeals, and shall be referred to herein as "Valmont".

This is a patent infringement suit involving United States Letters Patent No. 2,604,359, for Self Propelled Sprinkling Irrigating Apparatus, issued July 22, 1952 to Frank L. Zybach. The complaint in the lower court alleged that a center-pivot irrigation system manufactured and sold by Enresco infringed Claims 8, 9, 10 and 13 of the patent. Valmont sought an injunction against further infringement and an accounting. The answer denied infringement and asserted affirmative defenses of patent invalidity, file wrapper estoppel and patent misuse. As a part of the pre-trial preparation, Enresco's counsel and other professional searchers made extensive searches of domestic and foreign art in the United States Patent Office for pertinent prior art relative to the patent in suit. Counsel also made itself aware of the prior art found by other defendants in a previous suit involving the same Zybach patent. At the conclusion of the trial, the court delivered oral findings of fact and conclusions of law in favor of Valmont. Thereafter, on November 22, 1968, the court

filed a written judgment and findings of fact and conclusions of law which, among other things, found Zybach Claims 8, 9, 10 and 13 valid and infringed and continued for later hearing and determination the issues of damages, patent notice and Valmont's alleged misuse of the patent in suit.

On March 6, 1969, subsequent to additional hearings on November 22, 1968, and January 20, 1969, the court filed its "Memorandum Opinion and Order", finding no misuse of the patent in suit. (reported at 296 F. Supp. 129, 161 USPQ 567)

On March 7, 1969, the court filed its "Order- Determination of the Notice Issue", finding that the notice requirements of 35 U.S.C. § 287 had been complied with.

On March 26, 1969, the court filed an order determining damages. Final judgment and Supplemental Findings of Fact were entered and filed by the court on April 10, 1969, awarding damages to Valmont in the amount of $294,466.73, equitable relief, costs and interest from April 1, 1969.

Following the filing by Enresco of a notice of appeal to the Tenth Circuit Court of Appeals and the filing of a motion for new trial in the District Court, Enresco and Valmont entered into a written "Settlement Agreement" which provided, among other things, that all appeals would be dismissed and that Enresco would pay to Valmont the sum of $280,000, payable in installments of $60,000 each over a two-year period ending June, 1971. In consideration of the promises by Enresco, Valmont agreed not to levy execution or seek to enforce the judgment or injunction against them unless a default occurred in the performance of the

agreement by Enresco. Valmont further agreed to procure a satisfaction of the judgment when the agreement had been fully performed by Enresco.

The appeal was dismissed, the motion for new trial was withdrawn and, to the present date, Enresco has partially performed its obligations under the agreement. The judgment has not been satisfied.

In September, 1969, German Patent No. 324,113 (issued in 1920), was brought to Enresco's attention by a defendant in another Valmont infringement suit as being anticipatory of the Zybach patent. After obtaining a translation of the patent and following an extensive study thereof and another review of the prior art, it was the opinion of Enresco's counsel that the newly found German patent to Zeyssolff, no. 324,113, contained disclosures which would invalidate Claims 8 and 10 of the Zybach patent under Title 35 U.S.C. § 102 and invalidate Claims 9 and 13 under Title 35 U.S.C. § 103. The German patent was not known to Petitioners or their counsel until September, 1969.

Acting to bring this newly discovered evidence before the court, Enresco filed in the District Court on March 23, 1970, a "Motion For Relief From The Final Judgment" under the provisions of Federal Rules of Civil Procedure, Rule 60(b). An extensive brief was filed with Enresco's motion showing that the newly found German patent clearly invalidated the infringed claims of the Zybach patent in suit and would thereby entitle Enresco to relief from the judgment.

Affidavits filed by Enresco, the credibility of which was not attacked by Valmont, showed that an extensive number of man-hours were spent prior to trial by Enresco's attorneys and professional searchers search-

ing both domestic and foreign art in all relevant classes and sub-classes in an attempt to locate prior patents or publications which might be anticipatory of the patent in suit.

Valmont filed a response to the motion for relief, including affidavits and exhibits. A hearing was held at which time the court heard arguments of counsel, but would receive no evidence other than the said affidavits and exhibits and declined to set the case for later hearing when testimony and other evidence could be offered. Subsequently, on July 31, 1970, the District Court entered its "Memorandum Opinion and Order", (reported at 167 USPQ 60), denying Petitioners relief from the judgment for the following reasons:

1. The motion for relief was not timely filed;
2. The post judgment settlement agreement between the parties to the suit was a bar to any further proceedings in the litigation, including any inquiry into patent validity; and
3. The Petitioners had not been sufficiently diligent in their search for prior art before the trial and therefore were not entitled, under Rule 60(b)(2), to present new evidence.

Enresco appealed to the Tenth Circuit Court of Appeals urging:

1. That the motion was filed within one year from the April 10, 1969 date of "Final Judgment" of the District Court;
2. That due diligence had been shown by Enresco in attempting to find all pertinent prior art prior to trial; and

3. That the doctrine of *Lear, supra,* was a paramount and controlling consideration over that of the post-judgment settlement agreement and the trial court's discretionary ruling on diligence and requested the Court of Appeals to remand the case to the trial court for a determination of patent validity or make such a ruling of validity itself.

After declining to make any ruling on the issues of timeliness of the motion and the effect of the post-judgment settlement agreement, the Tenth Circuit Court of Appeals affirmed the District Court, saying that the trial court properly denied the motion on the ground that the due diligence requirement of Rule 60 (b) was not met and that granting or denial of a motion addressed to the discretion of the trial court would not be disturbed on appeal except for a manifest abuse of discretion.

Petitioners seek review of the decision of the Tenth Circuit Court of Appeals and answers to the questions presented by this petition.

Federal jurisdiction of the cause is dervied from United States Code, Title 28, § 1338(a).

ARGUMENT FOR ALLOWANCE OF THE WRIT

The Tenth Circuit Court of Appeals, in affirming the District Court, has decided a federal question in a way in conflict with applicable decisions of this Court.

Inherent in patent infringement is the question of patent validity. This Court's decision in *Lear, supra,* is controlling of this case, yet the Circuit Court has failed and refused to even acknowledge *Lear* or its applicability nor has it attempted to distinguish it.

The *Lear* decision is a landmark of patent law and is totally concerned with the importance of inquiry into patent validity. *Lear* holds that federal patent policy and the fundamental concept of free competition in the use of ideas which are in the public domain are paramount and supreme considerations and rise above common law doctrines which may be or become repugnant thereto. The trend established by *Lear* is to set aside all barriers to validity investigations in order that the federal patent policy will not be subverted.

By its Opinion of July 8, 1971, the Circuit Court has subverted the federal patent policy to a procedural rule of convenience which allows discretion to the trial court and then muzzles the voice of appeal unless abuse is demonstrated.

The established principle "that a Rule 60(b) motion is addressed to the sound discretion of the trial court, and granting or denial of such a motion will not be disturbed on appeal except for a manifest abuse of discretion" (Circuit Court's Opinion), is certainly no more well established or fundamental than the common law principles of contract doctrine which this Court has stated are subordinate to the federal patent policy. *Lear, supra,* is unequivocal in establishing the principle that an inquiry into patent validity is paramount to and rises above all other considerations. The decision of the Circuit Court to put the patent in suit behind the nebulous cloud of a discretionary rule in order to insulate it from attack flies in the face of the holding in *Lear,* which dictates that such practices must give way to the policy favoring free competition in ideas not meriting patent protection.

The Opinion of the Circuit Court represents a clash of ideology and irreconcilable conflict of policy and

interpretation of *Lear, supra,* with that of the Ninth Circuit Court of Appeals in its recent decision in *Massillon-Cleveland-Akron Sign Co.* v. *Golden State Advertising Co., Inc., et al,* 444 F.2d 425, 170 USPQ 440 (CA9 1971), cert. denied. The decision of the Tenth Circuit Court has said, in effect, that the failure to meet the diligence test of Rule 60(b)(2) (even when the failure is obviously in doubt) can defeat an attack on the validity of a patent, whereas, the Ninth Circuit holds in *Massillon, supra,* that even a solemn settlement agreement promising not to attack the patent must give way to the paramount considerations of public interest in an invalidity inquiry.

Massillon tackles the question of whether a settlement agreement involving patent infringement is a bar to an attack on the patent which is the subject matter of the agreement.

> "We think the rationale of *Lear* requires us to hold that the covenant of Golden State and Gold, in the settlement agreement of July 23, 1962, not to contest the validity of MCA's patent, is void on its face and unenforceable. It is in just as direct conflict with the 'strong federal policy' referred to repeatedly in *Lear,* as was the estoppel doctrine and specific contractual provision struck down in that decision." *Massillon, supra.*

It is significant that the *Massillon* holding not only represents a conflict with the explicit ruling of the Tenth Circuit, it represents an affirmative stand by the Ninth Circuit concerning *Lear's* effect on patent settlement agreements which the Tenth Circuit chose to evade and ignore, preferring instead to turn the entire matter on the abuse of discretion rule. The very same rationale applied by the Ninth Circuit in

allowing a contest of the MCA patent, the essence of which is quoted above, is applicable to overturn the District Court of Colorado's holding that the settlement agreement between Enresco and Valmont is a bar to further proceedings and inquiry into the validity of the underlying Zybach patent.

In respect to the question of timeliness of the motion, it appears again that such a fragile reason must bow to the more important aspects of patent validity inquiry as argued above. Furthermore, it is apparent that the District Court is attempting to rewrite Rule 60(b) by dictating that the one-year limitation runs from the handing down of an appealable decision whereas the rule actually sets forth the beginning of the time as the rendering of a "final decision". Where, as in this case, there was an appealable interlocutory judgment, the time starts to run, not from such judgment, but from the final judgment. Under this interpretation, Enresco's motion under Rule 60(b) was timely filed.

Finally, and notwithstanding any of the technicalities of Rule 60(b) or the proceedings thereunder, the paramount public interest in patent validity as announced so explicitly by this Court in *Lear,* taken with the implications of the recent *Blonder-Tongue Laboratories, Inc.* v. *University of Illinois Foundation,* 402 U.W. 313, 169 USPQ 513 (1971), (mandating that "the public interest [in disposing of invalid patents] is the paramount consideration.") should open the way for Enresco to challenge the validity of the Zybach patent which forms the basis for the settlement agreement with Valmont. If the patent is found to have been invalid, there is no consideration for the agreement and Valmont has exacted a tribute which it did not deserve.

CONCLUSION

The decisions of the District Court for the District of Colorado and the Tenth Circuit Court of Appeals represent a tenacious persistence to adhere to the traditional niceties of technical rule interpretation and common law estoppel doctrines at the expense of valid interpretations of the spirit and intent of applicable decisions of this Court. These decisions cannot be allowed to stand and granting of a Writ of Certiorari is respectfully requested.

Respectfully submitted,

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APPENDIX

APPENDIX A

(Filed July 8, 1971)

UNITED STATES COURT OF APPEALS
TENTH CIRCUIT

May, 1971, Term

No. 548-70

VALMONT INDUSTRIES, INC., ET AL., *Plaintiffs-Appellees,*

v.

ENRESCO, INC., a Colorado corporation, and YUMA MANUFACTURING COMPANY, INC., a Colorado corporation, *Defendants-Appellants.*

Appeal From the United States District Court for the District of Colorado

(District Court Nos. 67-C-136 and 67-C-331)

Richard W. Hanes, Colorado Springs, Colorado (Charles E. Painter, Colorado Springs, Colorado; and James M. Naylor and John K. Uilkema, San Francisco, California, on the brief), for Appellants.

John E. North, Omaha, Nebraska (Michael A. Williams, Denver, Colorado, and H. Robert Henderson, Omaha, Nebraska, on the brief), for Appellees.

Before PHILLIPS, HILL and HOLLOWAY, United States Circuit Judges.

HILL, Circuit Judge.

This is an appeal from an order denying appellants relief from final judgment under the "newly discovered evidence" part of Rule 60(b) F.R.Civ.P., 28 U.S.C. The trial court denied the motion on three grounds: (1) that the motion was untimely; (2) that the judgment was merged in a compromise agreement which supereeded the judg-

ment; and (3) the due diligence requirement of Rule 60(b) was not met.

This is a patent infringement suit involving United States Letters Patent No. 2,604,359 for Self-Propelled Sprinkling Apparatus issued July 22, 1955 to Frank L. Zybach. In the trial court, appellees alleged that a center-pivot irrigation system manufactured and sold by appellants infringed Claims 8, 9, 10 and 13 of the patent. Appellant denied infringement and asserted the affirmative defenses of patent invalidity, file wrapper estoppel and patent misuse. The suit was tried to the court without a jury, and on November 22, 1968, the trial court entered a formal judgment decreeing validity, infringement, entitlement of appellees to damages, and enjoined further infringement. However, not until April 10, 1969, was the damage question decided by the court when it entered a money judgment in favor of appellees.

A notice of appeal was filed, as was a motion for new trial. However, on June 13, 1969, Enresco, Inc. and Valmont Industries, Inc. entered into a written "Settlement Agreement". That agreement provided that all appeals would be dismissed and that Enresco would pay Valmont the sum of $280,000, payable in installments of $60,000 each over a two-year period ending June, 1971. In consideration of the promises by Enresco, Valmont agreed not to levy execution on the appellants or seek to enforce the judgment or injunction against the former unless Enresco defaulted. It was further agreed that Valmont would procure a satisfaction of judgment against both appellants when Enresco fully performed the agreement. The appeal was then dismissed, the motion for new trial was withdrawn, and the parties began performing according to the agreement.

However, in September, 1969, appellants became aware of a German patent which they believed to be anticipatory of the Zybach patent. On the strength of what they considered "newly discovered evidence", appellants filed a

Motion for Relief from the Final Judgment under Rule 60(b) on March 23, 1970. Extensive briefs, affidavits and exhibits were filed by both parties, and on July 17, 1970, the trial court heard oral argument on the motion. Thereafter the district court denied the motion on the three aforesaid grounds, and appellants appeal.

At the outset, appellants urge that their motion was timely under the Rule and that the post-judgment settlement agreement does not preclude the requested relief. Even assuming, arguendo, that appellants might prevail on these arguments, we conclude that the trial court properly denied the motion on the ground that the due diligence requirement of Rule 60(b) was not met.

Rule 60(b)(2) provides that the court may relieve a party from a final judgment if there is "newly discovered evidence which by due diligence could not have been discovered in time to move for a new trial under Rule 59(b)." There is no doubt that the German patent was not known to appellant prior to September, 1969. But to prevail on the motion, the appellants must show that the failure to discover the new evidence during or preceding trial was not due to their lack of diligence. McCullough Tool Co. v. Well Surveys, Inc., 334 F.2d 381 (10th Cir. 1965); Stilwell v. Travelers Insurance Company, 327 F.2d 931 (5th Cir. 1964); Western Union Telegraph Company v. Dismang, 106 F.2d 362 (10th Cir. 1939).

In upholding the decision of the trial court, we are guided by the well established principle that a Rule 60(b) motion is addressed to the sound discretion of the trial court, and granting or denial of such a motion will not be disturbed on appeal except for a manifest abuse of discretion. Abel v. Tinsley, 338 F.2d 514 (10th Cir. 1964); Western Union Telegraph Company v. Dismang, supra; 7 Moore's Federal Practice (2d Ed.) ¶ 60.19 and cases cited therein. The trial court found that a diligent patent search would have included foreign patents; that it would not

have imposed an excessive burden; and that a diligent search prior to trial would have disclosed the German patent.

From oral argument, but more particularly from affidavits submitted by the parties, it appeared that an unsuccessful pretrial search was conducted by appellants' attorneys in the very classification where the German patent was ultimately found. An affidavit submitted by one of appellees' patent attorneys reflects that the German patent was located in the United States Patent Office at two places. First it was found in Class 239, Foreign Sub-class 177, the source unsuccessfully searched by appellants. Affiant further stated that the "Patent Office Index of Classification of the German Federal Republic, revised in 1951" shows that the United States Patent Office received notice of the subject German patent prior to the time of appellants' search of Class 239, Foreign Sub-class 177. It was further stated that a second source, the German-English Classification Index, contains an abridged classification entitled "Irrigation Systems" and that under the appropriate class and group number, the German patent was also located there. Appellants wholly failed to search this source of foreign patents.

If an ordinary search of the Patent Office would have disclosed the patents upon which an appellant relies, the trial court may deny a Rule 60(b)(2) motion on the ground that due diligence was not exercised. *See* Jamco, Inc. v. Carlson, 274 F.2d 338 (10th Cir. 1959). On the foregoing evidence, the district court found that a diligent search prior to trial would have uncovered the German patent. The mitigating factors submitted by appellants are not devoid of merit, but on the evidence recited above, we cannot conclude that denial of the motion was a manifest abuse of discretion. Because of the decision reached herein, the other two grounds upon which the trial court denied the Rule 60(b) motion need not be considered.

Affirmed.

APPENDIX B

(Filed July 31, 1970)

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

Civil Action No. 67-C-136

VALMONT INDUSTRIES, INC., ET AL., *Plaintiffs,*

v.

YUMA MANUFACTURING COMPANY, INC., *Defendant.*

Civil Action No. 67-C-331

VALMONT INDUSTRIES, INC., ET AL., *Plaintiffs,*

v.

ENRESCO, INC., *Defendant.*

Dawson, Nagel, Sherman & Howard, by Mr. Michael A. Williams, Attorney at Law, 1900 First National Bank Building, Denver, Colorado, McGrath, North, Nelson, Shkolnick & Dwyer, by Mr. John E. North, Attorney at Law, 1601 Woodmen Tower, Omaha, Nebraska, and Henderson & Strom, by Mr. H. Robert Henderson, Attorney at Law, 1707 Woodmen Tower, Omaha, Nebraska, for Plaintiffs; Naylor & Neal, by Mr. James M. Naylor, Attorney at Law, 1650 Russ Building, San Francisco, California, and Spurgeon, Aman & Hanes, by Mr. Richard W. Hanes, Attorney at Law, Holly Sugar Building, Colorado Springs, Colorado, for Defendants.

Memorandum Opinion and Order

DOYLE, Judge.

The defendants herein have filed a motion "for relief from the final judgment." It states that it is filed pursuant to Rule 60(b), the newly discovered evidence provision. The evidence which is cited as the basis for the motion is a certain German patent No. 324,113 called the

Zeyssolff patent, which was issued August 19, 1920. It is said that the patent was of such significance that the Court would have reached an opposite result at the trial, that is, would have found that the Zeyssolff patent anticipated the Zybach patent. The request is that this Court's judgment of April 4, 1969, adjudging claims 8, 9, 10 and 13 of the Zybach patent valid and infringed be set aside and that the Court should now adjudge the said claims invalid and not infringed. Thus, the request is not for a new trial, but is in effect for a summary judgment setting aside the old judgment and substituting a new one based upon the newly discovered evidence.

This suit was originally instituted July 13, 1967.[1] Subsequently, the case was extensively pretried and the parties conducted intensive discovery, and, finally, on September 16, 1968, the trial commenced and continued for seven trial days. At its conclusion on September 25, 1968, oral findings of fact in favor of the plaintiffs upholding the validity of the patent and concluding infringement were issued from the bench.

Thereafter, a formal judgment was entered on November 22, 1968, decreeing validity, infringement, entitlement of the plaintiffs to damages and injunction against further infringement. Defendants appealed this judgment notwithstanding that the questions of amount of judgment and patent misuse prior to a particular date were reserved.

Subsequently, the case was set down for hearing on the damage question. This was ultimately conducted, and on April 10 a judgment on this was entered. Previously, however, on November 22, 1968, a judgment was entered resolving all the issues for plaintiffs and against the defendants. Defendants were permanently enjoined from in-

[1] On August 25, 1967, this case (No. 67-C-331) was consolidated with civil action No. 67-C-136 which had been instituted on March 23, 1967.

fringing in the future. At this time the matter of amount of the money judgment was reserved for further hearing, as was the question as to the right to royalties in view of alleged patent misuse by the plaintiffs.

Concededly, the plaintiffs had purged themselves as of a particular date in that they had renounced the agreement complained of. Resolution of this question in favor of the defendants would not have affected the judgment of validity and infringement; its sole consequence would have been to diminish the money judgment. Nor would it have any affect on the writ of injunction.

The defendants apparently considered the November 22, 1968 judgment final because they filed a notice of appeal from this judgment. When the money judgment was entered on April 10, they again filed a notice of appeal. Whether or not the November 22, 1968 judgment was final is of some importance here because of the time limitation. If it was indeed an appealable judgment, the defendants are out of time because Rule 60(b) provides that the motion seeking relief from a judgment shall be made "not more than one year after the judgment, order or proceeding was entered or taken." This is then one of defendants' problems.

Rule 60(b)(2) authorizes the Court to relieve a party from a final judgment on the basis of "newly discovered evidence which by due diligence could not have been discovered in time to move for a new trial under Rule 59(b)." This requirement points up another difficulty faced by defendants which is whether the proffered evidence qualifies as newly discovered, that is, whether the 1920 German patent should have been discovered by the exercise of due diligence.

Another problem which confronts the defendants here is that of a compromise agreement which was reached while the appeal was pending. The compromise involved in-

stallment payments of the money judgment and also provided for the dismissal of the appeals. Further, the plaintiffs undertook to refrain from executing on the judgment while the agreement was in effect.

Even if the evidence presented can be considered newly discovered, and if the defendants are not out of time and the judgment is not merged in the compromise agreement, an additional question is presented as to whether the German patent does indeed anticipate the patent in suit.

One other fact is noteworthy. Defendants filed a similar motion on April 23, 1969. This motion sought to set aside the judgment and to obtain a new trial on the basis that the plaintiffs' invention was known and used by others, and, therefore, had been anticipated to such a degree that the plaintiffs' patent was invalid. They tendered on this occasion pictures and documents to show that a Kansas device, which was in use prior to the issuance of plaintiffs' patent, had anticipated the Zybach patent.

The settlement agreement referred to above was entered into by the parties in the face of appeals and the mentioned motion for a new trial (which we are not here concerned with) was either abandoned or merged in the compromise. Moreover, it was filed after the defendants filed a notice of appeal. It is not to be confused with the present motion based on the German patent. The motion must be denied for several reasons.

I

First, the defendants are out of time because the judgment which decreed validity and infringement and which enjoined the defendants was entered into one year prior to the filing of the instant motion. In our opinion this was a final appealable judgment even though the matter of assessment of damages remained. To be sure, the Court of Appeals could have postponed a decision on this phase

of the case until money judgment was entered, but this fact does not detract from the finality and appealability of the judgment which was entered. Rule 62 of the Rules of Civil Procedure recognizes that a judgment granting an injunction is appealable. The basis for the injunction here is, of course, the determination of the validity of the patent and the adjudication of infringement, and so the very issue which the defendants seek to retry now was indeed finally determined on November 22, 1968. It was in a form which the defendants regarded then as appealable and which we now consider to have been final and appealable. Accordingly, the present effort cannot be entertained since the one year requirement is mandatory.

II

Secondly, the present motion cannot be entertained because of the compromise agreement. We must conclude that the judgment merged in this compromise agreement and is not subject to attack so long as the agreement is in effect. It is true that under its terms the plaintiff has an option to accelerate the amounts and execute on the judgment should the defendants violate the provisions of the compromise. It does not appear, however, that they have elected to take any such action. Hence, as we view it, the judgment cannot now be set aside.

An early Supreme Court case, that of *County of Dakota* v. *Glidden*, 113 U.S. 222 (1885), considered a similar question. There, the right of a party to appeal a judgment which had been the subject of a compromise agreement was before the Court. It was held that there could be no appeal under these circumstances because the compromise was substituted for the judgment so that there was no judgment to appeal. The Supreme Court noted that a judgment debtor can pay off the judgment, prosecute an appeal and if he ultimately prevails, recover back the money paid. However, the Court went on to say that this

is quite different in effect from a compromise agreement. As to a compromise it was said:

> But what was done was a very different thing from that. A new agreement, on sufficient consideration, was made, by which the judgment itself, the coupons on which it was recovered, and the bonds of which these coupons were a part, were all surrendered and destroyed, and other bonds and other coupons were accepted in their place, payable at a more distant date and with a lower rate of interest, with the effect of extinguishing the judgment now sought to be reversed, so that the plaintiff in that judgment could not issue execution on it, though there is no *supersedeas* bond to secure its payment. It is a valid compromise and settlement of a much larger claim, but it includes this judgment necessarily. It *extinguishes* the cause of action in this case. If valid, it is a bar to any prosecution of the suit in the circuit court, though we should reverse this judgment on the record as it stands for errors which may be found in it. To examine these errors and reverse the judgment is a fruitless proceeding, because when the plaintiff has secured his object the relation of the parties is unchanged, and must stand or fall on the terms of the compromise. 113 U.S. at 224-25.

A more recent case dealing with this subject from the Tenth Circuit is *Eagle Oil Co. v. Sinclair Prairie Oil Co.*, 105 F.2d 710 (10th Cir. 1939). This involved a compromise agreement which dismissed appeals and also settled another lawsuit. Here again, in an opinion by Judge Phillips, concurred in by Circuit Judges Bratton and Williams, it was said:

> The effect of the compromise agreement was to extinguish the asserted causes of action and the decree and to fix the rights, titles, and interests of the re-

spective parties in accordance with its provisions. 105 F.2d at 713.

Similarly, in the case at bar the compromise agreement superseded the judgment and so long as that agreement subsists, the judgment is merged in it. Consequently, it is not subject to being opened and the present motion cannot be maintained.

III

Third, we conclude that the defendants have failed to meet the requirements for relief set forth in Rule 60(b)(2). Newly discovered evidence constitutes grounds for relief under the Rule only if such evidence could not have been discovered by due diligence in time to move for a new trial under Rule 59(b).[2]

One reason for our conclusion that a search of foreign patents ought to have been made is that the device in question has a universal appeal. We noted in our oral findings, for example, that man has from very early times sought to develop a mobile irrigating system or mechanism. Why, then, should diligent search not include a survey of the foreign patent field and why, particularly, should not German patents be considered since the technological aptitude of the Germans is well recognized. We are of the opinion that diligent search required this effort, especially since it would not, as shown by plaintiffs' documents, entail excessive burden. We also conclude that diligent search would have discovered the patent.

Moreover, some pretrial search was conducted by attorneys for defendant in the very classification where it was found. The affidavit of Mr. Tew, submitted by plaintiffs, establishes that the Zeyssolff patent, German patent

[2] A motion for new trial under Rule 59(b) must be served no later than ten days after entry of the judgment.

324,113, was classified in Class 239, foreign subclass 177 of the Patent Office index. According to papers submitted by defendants, some search was conducted of both foreign and domestic patents in this very category. No reason is apparent as to why Zeyssolff eluded this scrutiny.

Finally, we are of the opinion that the evidence shows that the existence of this patent was discovered as a result of ordinary, reasonable search.

The due diligence requirement of Rule 60(b) has not been met.

IV

Anything that we might say about the merits of this motion would be dicta because of our holding that the defendants are barred on procedural grounds.

Because of the fatal procedural deficiencies we must deny the motion and as we view the matter, a discussion of the anticipation issue would not be proper.

For the reasons set forth above, the motion of defendants is denied.

DATED at Denver, Colorado, this 31st day of July, A.D. 1970.

BY THE COURT:

WILLIAM E. DOYLE

William E. Doyle, *Judge*
United States District Court

APPENDIX C

September Term—September 29, 1971

Before Honorable Orie L. Phillips, Honorable Delmas C. Hill and Honorable William J. Holloway, Jr., Circuit Judges.

No. 548-70

VALMONT INDUSTRIES, INC., a corporation, formerly Valley Manufacturing Company; and FRANK L. ZYBACH, and ALBERT E. TROWBRIDGE, individuals,

Plaintiffs-Appellees,

v.

ENRESCO, INC., a Colorado corporation, and YUMA MANUFACTURING COMPANY, a Colorado corporation,

Defendants-Appellants.

Upon consideration of petition of appellants for rehearing, it is ordered that said petition be and is denied.

A true copy
Teste

HOWARD K. PHILLIPS
Clerk, U. S. Court of
Appeals, Tenth Circuit

By (illegible)
Deputy Clerk

(SEAL)

Supreme Court, U.S.
FILED
JAN 15 1972
E. ROBERT SEAVER, CLERK

IN THE

Supreme Court of the United States

October Term, 1971

No. 71-825

ENRESCO, INC., a Colorado corporation, and YUMA MANUFACTURING COMPANY, INC., a Colorado corporation,

Petitioners

v.

VALMONT INDUSTRIES, INC., a corporation, formerly VALLEY MANUFACTURING COMPANY; and FRANK L. ZYBACH, and ALBERT E. TROWBRIDGE, individuals

Respondents

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE TENTH CIRCUIT

BRIEF FOR RESPONDENT IN OPPOSITION

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PRIESMAN GRAPHICS -- OMAHA, NEBRASKA

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IN THE

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v.

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ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE TENTH CIRCUIT

BRIEF FOR RESPONDENT IN OPPOSITION

OPINIONS BELOW

The opinion of the District Court (App. B of Petition) is unofficially reported at 167 USPQ 60. The opinion of the Court of Appeals for the Tenth Circuit (App. A of Petition) is reported at 446 F. 2d 1193.

JURISDICTION

The jurisdictional requisites are adequately set forth in the Petition.

QUESTIONS PRESENTED

1. Was the Petitioners' Motion under Rule 60(b) timely?

   (a) Was the Motion filed within one year from the entry of a "final judgment" as that term is used in Rule 60(b)(2)?

   (b) Was the Motion filed within a "reasonable time" after the entry of a "final judgment" as that term is used in Rule 60(b)(2)?

2. Did the Trial Judge abuse his discretion in finding that the newly discovered evidence could have been discovered by due diligence of the Petitioners in time to move for a new trial under Rule 59(b)?

3. Where adverse parties in a law suit voluntarily and in good faith enter into a Settlement Agreement after the entry of a judgment which is pending on appeal, or after the entry of a judgment which is pending on a Motion for a New Trial, does the cause of action which is the subject matter of the judgment merge in the Settlement Agreement and does the Settlement Agreement supersede the judgment so that it is not subject to vacation or modification under Rule 60(b)?

STATUTES AND RULES INVOLVED

The pertinent provisions of Rule 60 (B), 28 U.S.C. and Secs. 102 and 103 of Title 35, U.S.C., on which Petitioner relies are set forth in the Petition at pp. 4-5.

STATEMENT

Respondents (Plaintiffs in the Trial Court) instituted an action for patent infringement in July of 1967. Both Petitioners and Respondents engaged in extensive discovery prior to September of 1968 when this action was set for trial. One of the primary issues presented for trial was the validity of the Respondents' patent. After seven days trial, on September 16, 1968, the Trial Court made a specific finding at the conclusion of the trial that the Repondents' patent was valid and that the Petitioners' devices infringed (R 126-133).

On November 22, 1968, a hearing was held to consider certain matters raised by the Petitioners and also to enter a judgment reflecting the Court's findings of fact and conclusions of law of September 16, 1968. On November 22, 1968, the Court entered a Judgment that claims 8, 9, 10 and 13 of the Respondents' patent No. 2,604,359 are valid (R 1-3). The Judgment also found that the Petitioners' devices infringed the Respondents' patent. The Court set for a separate hearing the accounting between the parties, including independent issues relating to Respondents' alleged misuse of its patent, notice and damages. Hearings on these issues were held and on March 7, 1969, the Court filed a Memorandum Opinion and Order finding that Respondents did not misuse the patent in suit (R 207-221) and that Petitioners had notice of infringement prior to January of 1966 (R 225-226). On March 26, 1969, the Court entered an Order finding that the Respondents were entitled to a royalty of five percent (5%) for each device sold by Petitioners after January of 1966 and counsel were ordered to prepare a judgment in accordance with the Order relating to damages (R 228-229).

Petitioners treated the Judgment of November 22, 1968, the Memorandum Opinion and Order of March 7, 1969 and the Order relating to damages of March 26, 1969, as final judgments

and on April 4, 1969 filed a Notice of Appeal from each of the foregoing Judgment, Opinion and Orders (R 231).

On April 10, 1969 the Court entered Supplemental Findings of Fact relating exclusively to the issue of misuse and to the amount of damages (R 233-235) and entered a Judgment on the issues that Respondents had not misused their patent and that they were entitled to full equitable relief for infringement and were entitled to recover damages in the amount of $294,466.73 for infringements occurring prior to January 31, 1969, plus six percent (6%) interest and costs (R 1-3). It should be noted that the Supplemental Findings of Fact and Final Judgment entered April 10, 1969 did not contain any findings or conclusions relating to the validity of Respondents' patent. This matter had been settled by the Judgment entered November 22, 1968, which Judgment was the subject of Petitioners' Notice of Appeal filed April 4, 1969.

On April 23, 1969, Petitioners filed a Motion for an Order opening and setting aside the Judgment entered April 10, 1969, and for an Order granting a new trial for the purpose of taking testimony establishing that Respondents' invention was known and used by others and, therefore, had been anticipated to such an extent that Respondents' patent was invalid (R 240-242). It is interesting to note, in connection with the Motion, that Petitioners specifically alleged that they could not have obtained such testimony by due diligence. An analysis of the Affidavit filed in support of the Motion discloses that an individual in Kansas had developed a self-propelled sprinkler irrigation system, which allegedly anticipated the device invented by Respondents and, therefore, Respondents' patent was invalid.

During the months of April and May, the following matters were pending in connection with this case:

(1) Petitioners' Appeal from the Judgment dated November 22, 1968; the Memorandum Opinion and Order entered March 7, 1969; and the Order entered March 26, 1969; the only Judgments and Orders relating to validity of Respondents' patent.

(2) Petitioners' Motion to set aside the Judgment dated April 10, 1969, relating to misuse and damages, and related Motion for New Trial.

While these matters were pending and with full knowledge of the rights and remedies available to the parties, Petitioners and Respondents voluntarily, under no compulsion, in good faith and with full recognition of the rights and remedies of each, entered into a Settlement Agreement, June 13, 1969 (R 244-250). Under the Settlement Agreement, Respondents accepted an installment note in the amount of $280,000.00 for all of its claims against Petitioners. It was agreed that Petitioners' appeal would be dismissed. Such appeal was in fact dismissed (R 48). It was agreed that Respondents would release all bonds filed by Petitioners. Such bonds were released (R 251-252). Petitioners and Respondents performed to date each and every obligation provided by the Settlement Agreement and Petitioners have made payments on the settlement note in the amount of $230,000 plus interest.

In the Settlement Agreement, Petitioners did not admit validity of the patent in suit, a position from which Petitioners have never wavered; and no license or other rights were granted Petitioners under the patent; in fact, the patent was not mentioned therein. Significant to the present petition for certiorari is the fact that the patent, No. 2,604,359, expired in July of 1969, approximately a month after the Settlement Agreement. The validity of this patent is no longer a matter of significance to anyone.

On March 19, 1970, after Respondents had executed the Settlement Agreement and done everything required of them under the Settlement Agreement and after Petitioners had made two payments under the Settlement Agreement, Petitioners filed a Motion under Rule 60(b) of the Federal Rules of Civil Procedure to set aside the Judgment entered April 10, 1969, and to enter a summary judgment in their favor on the sole ground that Petitioners had newly discovered evidence.

Hearing was set on July 17, 1970 for the Motion of March 19, 1970, giving both parties ample time to prepare for same. At the hearing, both parties were fully heard and were given sufficient time to present all of their evidence as to the merits of the Motion. Neither party requested additional time from the Trial Judge for the presentation of other evidence.

After due and deliberate consideration of all of the briefs of both parties presented as to the Motion, of the evidence presented by both parties at the hearing, and of the oral arguments of counsel for the parties at the hearing, the Trial Judge found as to the Motion under Rule 60(b):

(1) The Petitioners were out of time;

(2) The Motion could not be maintained as the compromise agreement superseded the judgment in the case;

(3) The newly discovered evidence could have been discovered by due diligence of the Petitioners in time to move for a new trial under Rule 59(b); and

(4) Because of the fatal procedural deficiencies of (1) through (3) inclusive, a discussion of the anticipation issue would not be proper (R 313).

The Court of Appeals for the Tenth Circuit affirmed the decision of the District Court. The Circuit Court affirmed on

the ground that the District Court found that a diligent search prior to trial would have uncovered the alleged newly discovered evidence and the Trial Court did not abuse its discretion for denying the Motion under Rule 60(b) for failure to exercise due diligence to uncover the newly discovered evidence (App. A of Petition).

ARGUMENT

I. The Inapplicability of Lear and Massilon cases.

At the outset mention should be made of *Lear, Inc. v. Adkins*, 395 U.S. 653, 89 Sup. Ct. 1902, 23 L. Ed. 2d 610; not because the case is material in any way but simply because it is relied upon by Petitioners. Petitioners presented this case to both the Trial Judge and the Court of Appeals. Neither court found that it had sufficient relevance to even mention it in their respective opinions. In the *Lear* case, this court overruled the long-standing rule that a licensee was estopped to deny the validity of a licensor's patent. No one questions the vitality and impact of this decision. In the case under consideration both the licensee and the licensor were attempting to enforce a valid patent by restraining a third party, namely Petitioners, from infringing. No one at any time ever contended that the Petitioners were estopped to deny the validity of Respondents patent. The fact of the matter is that Petitioners made a very vehement denial of the validity of the Respondents' patent and a substantial portion of the six day trial was devoted exclusively to evidence relating to the validity of Respondents' patent. Petitioners had ample opportunity to, and did, raise all of the issues relating to the validity of the Plaintiffs' patent. Consequently, Respondents are at a loss, as were the two courts below, to understand how the *Lear* case could have any application to the present situation. Petitioners were not licensees, they were third party infringers. Petitioners were not precluded from raising all of the issues relating to validity and

anticipation of Respondents' invention but had every opportunity to do so.

The case of *Massilon-Cleveland-Akron Sign Co. v. Golden State Advertising Co., Inc., et al.*, 444 F. 2d 425, 170 USPQ 440 (C.A. 1970), involved a situation where a patent settlement was made prior to trial but after charges of infringement and denial of same were made. The agreement on the part of the alleged infringer covenanted (1) acknowledged validity of the patent, and (2) covenanted to refrain from directly or indirectly contesting or questioning the validity of the patent. Subsequently, upon being charged with breach of the settlement contract, the alleged infringer raised the issue of validity and the Ninth Circuit upheld its right to so challenge the validity of the patent involved on the basis of *Lear v. Adkins*. The *Massilon* case did not turn on the timeliness of a Rule 60(b) motion or the failure to use due diligence to discover evidence. Consequently it is not material to the present case.

A careful analysis of the opinions of both the Trial Judge and the Court of Appeals will indicate that there were three separate, independent and distinct grounds for denying Petitioners' motion under Rule 60(b). Each of these grounds standing alone would in and of itself have been sufficient for denial of the motion. None of the grounds involves a conflict of decision between Courts of Appeals on the same matter or involves an important question of federal law which has not been settled by this court, or involves a federal question which in any way conflicts with applicable decisions of this court. Nor, do any of the grounds relied upon or the reasons stated for the decisions below suggest a departure from well settled and established law. As a matter of fact, each of the grounds relied upon by the Trial Court and the Court of Appeals represents the application of well settled and long established principles.

2. The Petitioners' motion was not timely.

Petitioners (Defendants below) sought relief exclusively under Rule 60(b)(2) which provides for relief in certain situations for "newly discovered evidence which by due diligence could not have been discovered in time to move for a new trial under Rule 59(b)." The rule provides that the motion for relief shall be made "within a reasonable time" and "not more than one year after the judgment, order, or proceeding was entered or taken." The "reasonable time" limitation may cut down the one year period; it cannot, however, enlarge it. *Klapprott v. United States*, (1949) 335 U.S. 601, 336 U.S. 942. The one year period is computed generally from the entry of the final judgment and the time is not enlarged by the taking of an appeal. See *Moore's Federal Practice*, Sec. 60.28 (2), p. 320. In the case under consideration, the motion, denial of which is the subject of this appeal, was not made within the one year period. The only judgment entered by the Trial Court relating to the validity of Respondents' patent was entered on November 22, 1968.

Rule 54(a) of the Federal Rules of Civil Procedure provides that the term "Judgment" as used in the Federal Rules includes a "Decree and any order from which an appeal lies." The foregoing Judgment signed by Judge Doyle and entered by the Clerk was an appealable order within the meaning of the Federal Rules of Civil Procedure. Section 1292(a)(4), 28 U.S.C., specifically provides that the Court of Appeals shall have jurisdiction of appeals from judgments in civil actions for patent infringement which are final except for accounting. It is well settled that a judgment decreeing the validity and infringement and ordering an injunction is appealable. *American Cyanamid Co. v. Lincoln Laboratories, Inc.*, (C.A. Ill. 1968) 403, F. 2d 486; *Illinois Tool Works, Inc. v. Brunsing*, (C.A. Cal., 1967) 378 F. 2d 234.

Petitioners would readily concede that the judgment of November 22, 1968 was an appealable order, because on April 4, 1969 they filed a notice of appeal and appealed such judgment. As part of the Settlement Agreement this appeal was dismissed and the matters contained in the November 22, 1968 judgment became final and binding upon the parties and under the doctrines of res judicata and collateral estoppel could not be reopened. Under these circumstances it is perfectly apparent that the November 22, 1968 judgement became a final and binding judgment and the time for filing a motion under Rule 60(b) began to run November 22, 1968. Petitioners' motion was clearly out of time since it was not filed until March 19, 1970.

3. **The newly discovered evidence could have been discovered by due diligence in time to have it available at the trial consequently the Trial Court did not abuse his discretion in denying relief under Rule 60(b).**

Although counsel for Petitioners indicate that the affidavits filed in support of their motion to set aside the judgment were not attacked by Respondents (Petition p. 8), it is clear that such affidavits were attacked by counter affidavits which stand uncontradicted. The decision by the Court of Appeals properly reflects the condition of the record with regard to the newly discovered evidence, and Petitioners' obligation under Rule 60(b)(2). The Court of Appeals pointed out:

> "If an ordinary search of the Patent Office would have disclosed the patents upon which an appellant relies, the trial court may deny a Rule 60(b)(2) motion on the ground that due diligence was not exercised. See *Jamco, Inc. v. Carlson*, 274 F. 2d 338 (10th Cir. 1959). On the foregoing evidence, the district court found that a diligent search prior to trial would have uncovered the German patent. The mitigating factors submitted by appellants are

not devoid of merit, but on the evidence recited above, we cannot conclude that denial of the motion was a manifest abuse of discretion. Because of the decision reached herein, the other two grounds upon which the trial court denied the Rule 60(b) motion need not be considered.".

4. **The Settlement Agreement voluntarily entered into between the parties is a bar to relief under Rule 60(b).**

During the months of April and May, the following matters were pending in connection with the case now under consideration:

(1) Petitioners' appeal from the Judgment dated November 22, 1968, the Memorandum Opinion and Order entered March 7, 1969, and the Order entered March 26, 1969. The only judgment and order relating to the validity of Respondents' patent was the Judgment dated November 22, 1968.

(2) Petitioners' motion to set aside the Judgment dated April 10, 1969, relating to misuse and damages, and related Motion for New Trial, based on newly discovered evidence.

While these matters were pending and with full knowledge of the rights and remedies available to the parties, Petitioners and Respondents entered into settlement negotiations. It was natural that Petitioners should stress the vitality of their appeal attacking the November 22, 1968 Judgment determining that the Respondents' patent was valid. It was also natural they would emphasize the importance of the newly discovered evidence referred in this Motion for New Trial. Such evidence, they thought, would demonstrate that Respondents' patent had been anticipated by a device constructed in Kansas by Raymond Bird and Gerald E. Cain who had filed a patent application on their device September 28, 1949 (R 1-6).

On the other hand, in the face of this Motion for New Trial, Respondents stressed the fact that not only were Respondents entitled to $294,466.73 for infringements occurring prior to January 31, 1969, but that they were also entitled to a judgment for damages for all devices manufactured between January 31, 1969, and April 22, 1969, by Petitioners. In addition, since Respondents' patent would not expire until July of 1969, Respondents would be entitled to bring an action for all infringements, which were continuing during this period of Petitioners. The amount of damages for the infringements occurring subsequent to January 31, 1969, was very substantial and Respondents estimate additional damages would have amounted to approximately $100,000.00. It is not possible for Respondents to have determined the exact amount because information with respect to the manufacture of infringing devices subsequent to Janaury 31, 1969, was not furnished to Respondents. In any event, Respondents estimated that the total possible recovery including the original judgments, additional damages for infringements occurring after January 31, 1969, interest and court costs would approach $400,000.00.

In these circumstances, Petitioners and Respondents voluntarily, under no compulsion, in good faith and with full recognition of the rights and remedies of each, entered into the following Settlement Agreement:

"*SETTLEMENT AGREEMENT*

"THIS AGREEMENT Made this 13th day of June, 1969, by and between VALMONT INDUSTRIES, INC., hereinafter called 'VALMONT' and ENRESCO, INC., hereinafter called 'ENRESCO':

"WHEREAS, Valmont, together with Frank L. Zybach and Albert E. Trowbridge, has heretofore instituted suit against Enresco in the United States District

Court in the District of Colorado, Civil Action No. 67-C-331; and against Yuma Manufacturing Company, Inc., in the same Court, Civil Action No. 67-C-136; and

"WHEREAS, a judgment in favor of plaintiffs and against Enresco and Yuma has been entered in said lawsuit and Enresco has filed a notice of appeal therefrom and the parties hereto wish to settle the liability represented by said judgment and to avoid the expenses and uncertainties of appeal, and to provide for the payment of the liability represented by said judgment in installments;

"NOW THEREFORE, in consideration of the premises and the mutual covenants and promises contained herein, it is agreed as follows:

"1. Enresco, upon execution of this agreement, will file a dismissal of the appeal in Civil Action No. 67-C-331 and will obtain and file at the same time a dismissal of the appeal in Civil Action No. 67-C-136.

"2. Enresco will pay to Valmont the sum of $280,000.00 in the following manner:

(a) The sum of $60,000 in cash upon execution of this document.

(b) Enresco will execute and deliver upon the execution of this agreement its promissory note in the amount of $220,000.00, which note shall provide for payment of $60,000.00 plus accrued interest on December 12, 1969; $60,000.00 plus accrued interest on June 12, 1970; $50,000.00 plus accrued interest on December 12, 1970; and $50,000.00 plus accrued interest on June 12, 1971. Said note shall draw interest at the rate of 7½% per annum on the unpaid balance from June 12, 1969, and shall contain a

provision providing that the unpaid balance shall become due and payable at the option of Valmont in the event of default in any of the payments provided thereunder or in the event of any other event of default as provided herein. A copy of said note, marked "Exhibit A", is attached hereto and made a part hereof.

"3. Enresco agrees that, until the note provided for in paragraph 2 has been fully paid to Valmont:

(a) Enresco will not make unreasonable or excessive increases in the compensation of its officers and directors.

(b) Enresco will not transfer or dispose of its assets except in the ordinary course of business and will not encumber its assets for purposes other than to provide security for credit transactions entered into by Enresco which are necessary and reasonable for the operation of its business.

(c) Enresco shall not pay any dividends or otherwise distribute any of its assets.

"4. Enresco warrants and represents that the balance sheet of Enresco as of March 31, 1969, marked 'Exhibit B', attached hereto and made a part hereof, is true and correct, subject to normal autidting adjustments, and has been prepared in conformity with generally accepted accounting principles, and that there has been no material adverse change in the condition, financial or otherwise, of Enresco sincy the date hereof.

"5. Valmont agrees that it shall not levy execution upon or otherwise seek to enforce the judgments or injunctions entered in Civil Actions No. 67-C-331 and No. 67-C-136 unless an event of default, as provided in

paragraph 6 hereof, shall occur. All sums paid upon the note provided for in paragraph 2 hereof shall be credited upon said judgments. Likewise, any amount collected by execution on the judgments, after an event of default, as hereinabove provided, shall be credited against the balance of the said note. Upon full payment of the said note, Valmont shall forthwith file or cause to be filed with the Clerk of the said U.S. District Court, a release and full satisfaction of the judgments entered in Civil Action No. 67-C-331 and Civil Action No. 67-C-136, and shall also provide Enresco and Yuma with a full and complete release of all their liability for claims against them arising out of the judgments and injunction. In making this agreement, Valmont represents that it has full right, power and authority to settle and compromise the said judgments and injunctions. To secure Valmont's obligation to provide satisfactions of the judgments and the said releases, as aforesaid, Valmont promises to fully indemnify, save and hold Enresco and Yuma harmless from any claim or assertion of rights under the judgments or the injunctions by Frank L. Zybach and Albert E. Trowbridge or their personal representatives, heirs or assigns.

"6. If any of the following events of default shall occur, then the holder of the note referred to in paragraph 2 hereof may at its option declare the unpaid balance of said note to be immediately due and payable together with accrued interest thereon:

(a) Enresco does not pay any installment of said note when due; or

(b) Enresco violates any agreement contained in paragraph 3 hereof; or

(c) Any representation or warranty made by Enresco herein or in any writing furnished in connection with this agreement shall be false in any material respect when made; or

(d) Enresco makes an assignment for the benefit of creditors; or

(e) Enresco applies to any tribunal for the appointment of a trustee or receiver of its assets, or commences any proceedings relating to it under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or other liquidation law of any jurisdiction; or any such application is filed, or any such proceedings are commenced against Enresco and Enresco indicates its approval, consent or acquiescence, or an order is entered appointing such trustee or receiver, or adjudicating Enresco bankrupt or insolvent, or approving the petition in any such proceedings, and such order remains in effect for sixty (60) days.

"7. Immediately upon execution of this agreement by Valmont, Valmont promises and agrees to file with the Clerk of the said Court a written consent for the release of all bonds ($15,250.00 total) which have been heretofore filed with the Clerk of said Court by Enresco.

"IN WITNESS WHEREOF, the parties have hereunto set their hands the date first above written.

ENRESCO, INC.

By /s/
Charles G. Curtis, President

VALMONT INDUSTRIES, INC.

By /s/
Robert Daugherty, President"

(R 244-251)

At the time the Settlement Agreement was entered into, Petitioners were free to prosecute their appeal and to prosecute their motion for new trial. They were also free to pursue any other remedy that would affect the litigation including the filing of a motion under Rule 60(b). However, when Petitioners voluntarily entered into the Settlement Agreement, they released and relinquished all of the rights which they now seek to enforce. The Settlement Agreement was entered into in connection with a bonna fide and good faith dispute. Petitioners do not assert any fraud, misrepresentation or over-reaching. It is horn book law that unless rescinded or set aside, a valid compromise agreement operates as a merger and bar of all pre-existing claims. The compromise Settlement Agreement bars any further action in connection with the cause of action for which the compromise Settlement Agreement was made. *County of Dakota v. Glidden*, 113 U.S. 222 (1885), followed in a situation substantially identical to this case for which certiorari is now sought by the Second Circuit in *Protective Closures v. Clover Industries, Inc.*, 394 F. 2d 809.

SUMMARY

There were three separate and independent grounds relied upon by the Trial Judge for denying Petitioners' motion under Rule 60(b). Each of the grounds standing alone would have required denial of Petitioners' motion. The Trial Judge correctly relied upon well settled and long established principles of law in denying Petitioners' motion.

In the present case, unlike the *Lear* and *Massilon* cases, Petitioners have in no way been prevented from presenting their case for invalidity; in fact, they presented it fully. They had their day in court. Neither *Lear* nor *Massilon* turned on (1) the timeliness of a motion under Rule 60(b) or (2) the exercise of due diligence to procure evidence; or (3) the execution of a settlement agreement after a full blown trial on the validity of a patent. Neither *Lear* nor *Massilon* is pertinent to the present case.

The patent involved in the present suit has long since expired. No significant state or federal issue is involved. The decisions below do not present any conflict with the decisions of other Courts of Appeal or this Court.

CONCLUSION

For the foregoing reasons it is respectfully submitted that this petition for a Writ of Certiorari should be denied.

Respectfully submitted,

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